PARVA·SUB·INGENTI·

86-04067/

ERRATUM

RE TABLE OF CONTENTS –

SCHEDULE OF LOANS
APPROVED 1970-1982 PAGE 12
SHOULD READ 1970-1985

ANNUAL REPORT

PRINCE EDWARD ISLAND LENDING AUTHORITY

(1984-1985)

Established by an Act of the Provincial Legislature in June, 1969, the Provincial Lending Authority provides capital and operating credit to the primary producers of the Province, particularly those of smaller size, which may reasonably be expected to prove successful but which are unable to obtain financing elsewhere on reasonable terms and conditions.

PRINCE EDWARD ISLAND LENDING AUTHORITY

Post Office Box 1420

Confederation Court Office Tower

134 Kent Street

Charlottetown, P.E.I.

C1A 7N1

prince edward island
lending authority

A CROWN CORPORATION
EST. 1969

TEL: (902) 892-4247 - KENT PLACE - 134 KENT ST., P.O. BOX 1420, CHARLOTTETOWN, P.E.I., CANADA, C1A-7N1

LETTER OF TRANSMITTAL

July 9, 1985

The Honourable Gordon L. Lank
Minister Responsible for the Lending Authority
Walter R. Shaw Building
P.O. Box 2000
Charlottetown, P.E.I.
C1A 7N8

Honourable Sir:

It is our pleasure to submit as required by the Prince Edward Island Lending Authority Act the Annual Report for the Lending Authority for the fiscal year ended March 31, 1985.

Respectively Submitted,

William B. Hatton
Chairman

CORPORATE DIRECTORY
AS OF MARCH 31, 1985

William B. Hatton
Chairman of the Board
Tobacco Producer, Morell R.R. #2

Francis A. Gauthier
Vice-Chairman
Fisherman, North Rustico

William M. Jay*
Secretary-Treasurer and
General Manager

MEMBERS OF THE BOARD

Peter MacAulay
Dairy Producer
Souris East

St. Clair Duffy
Potato Producer
Kinkora

Robert H. Minard
Businessman
Ebenezer

John Morse
Tourist Operator
Montague

Alan C. MacLeod
Businessman
Charlottetown

W. S. Moore
General Manager
Land Development Corporation

H. J. O'Connell
Deputy Minister
Department of Fisheries & Labour

H. Lloyd Palmer
Deputy Minister
Department of Agriculture

W. P. MacDougall, C.A.
Deputy Minister
Department of Finance & Tourism

*Non Voting

CORPORATE PROFILE

PRINCE EDWARD ISLAND LENDING AUTHORITY

(1984-1985)

The Prince Edward Island Lending Authority is empowered to make loans to approved applicants in the following sectors:

AGRICULTURE

- to provide Operating Credit to farmers required to meet annual cropping expenses such as payment for seed, fertilizer, spray materials, fuels, repairs to machinery, labour, etc. This type of credit is repayable in full upon sale of the crop.

- to provide funds for the purchase of livestock as follows:

  for beef cows — loans may be obtained for five years repayable in annual instalments; the first payment being interest only, interest plus principal for the remainder of the term.

  for feeder cattle — the full amount of the loan obtained will be due when the cattle are sold, but in no case longer than a period of eighteen months;

  for dairy cows — loans may be obtained for a period up to five years and be repayable in monthly or annual instalments;

  for breeding ewes — loans may be obtained for a four year period repayable in annual instalments;

  for sows — may be obtained for a three year period repayable in semi-annual or annual instalments;

  for feeder hogs — the full amount of the loan will be due when the hogs are marketed.

- to provide Capital Loans for the purchase of farm lands, for recapitalization of debt, and for farm equipment, storage facilities, erection and/or repairs to barns, land improvements, etc. Maximum term up to 30 years.

FISHERIES

- to provide Operating Credit to assist seasonal preparation costs prior to the start of the fishing season. These advances are repayable during or at the end of the fishing season.

- to provide Capital Loans for the purchase of vessels, engines, and related equipment, etc. Maximum term on new vessels is fifteen years.

TOURISM

- to provide Operating Credit to assist in seasonal preparation costs prior to the start of the tourist season. These advances are repayable in full during or at the end of the tourist season.

- to provide Capital Loans for the establishment of and/or expansion of tourist facilities, or for the acquisition of existing facilities. Maximum term up to 30 years.

SMALL BUSINESS

- to provide Capital Loans to Small Businesses for such purposes as debt consolidation, expansion, refurbishing, purchase of fixed assets, etc. Maximum loan limit $350,000. Loans extended under this sector must be secured by a first real property mortgage, or a first fixed charge debenture. Application fee of $150.00 which is non refundable is applicable.

- for the purpose of this loan program small business is defined as a person, partnership or corporation having not more than 100 employees and annual gross sales of not more than 5 million in the preceeding fiscal year.

- applicants must be based in the Province and in the case of corporations incorporated under the Companies Act of Prince Edward Island.

EXCLUDED

- non resident persons or partnerships, companies not incorporated in the Province, franchised owned operations, licensees, apartment rental operators, manufacturers and processors.

INTEREST RATES

- Interest rates on Capital Loans and operating credit will be determined from time to time and will be based on the cost of money to the Lending Authority.

REVIEW

PRINCE EDWARD ISLAND LENDING AUTHORITY

(1984-1985)

The Lending Authority, which was established in 1969 as a Crown Corporation and which commenced operation in April, 1970, was designed to assist farmers, fishermen, tourist operators and small business in the province, particularly those operating on the small to medium scale to obtain financing, on reasonable terms and conditions which would not normally be available from other sources.

It is generally agreed that the economic well-being of the province depends, to a large extent, on the continued growth of our primary industries. In assisting primary producers and small business the Lending Authority is fulfilling an important role and is one of the economic vehicles that assist in this much needed and continued growth.

The Lending Authority's activity, inter-alia, includes administration of the loan portfolios of the Lending Agencies of the Government of Prince Edward Island existing prior to April, 1970. The Authority is also the representative of the Federal Department of Fisheries and Oceans for the fishing vessel subsidy program.

The Authority, now in its sixteenth year of operation, has been accepted both by the persons it was established to assist and by the business community as a whole, and it is evident that it will continue to play an ever increasing role in the future economic development of the province through its lending program.

GENERAL MANAGER'S REPORT

It is indeed a privilege for me to present this my sixteenth report as General Manager. We are pleased to note that the Authority had a busy and productive year despite substantial reductions in both applications received and in loan approvals. This situation was most pronounced in our agricultural division and, we will dwell further on this situation later in this report.

A complete statistical report on loans and credit approved during the fiscal period will be found on page nine of this Annual Report.

During the fiscal year past two (2) senior personnel resigned from the staff to take positions in government departments. Lloyd S. Blakney, former Chief Loan Officer accepted a position with the Treasury Board and Colin Jackson, Senior Loan Officer in Agriculture, accepted a Program Manager's position with the Department of Industry.

As a result of these resignations and a greatly expanded loan portfolio the Board of Directors approved a departmentalization of the Authority. Four divisions were established — Agriculture, Fisheries, Tourism and Small Business, each with a divisional manager. Gerald F. Gahan was named Manager of the Agricultural Division; D. W. (Dan) Smith, Manager of the Fisheries Division; and, Eric R. MacNeill, Manager of both the Tourism and Small Business Divisions.

The divisional managers report for their divisions directly to the General Manager. This move has facilitated a much better internal control and, has enhanced greatly the work flow of the Authority. Two (2) Loan Officers were added to the staff in 1984. Gerald B. Soy, former Assistant Manager of the Bank of Nova Scotia, Summerside Branch in our Tourism and Small Business Division and, Donald C. Aitken also from the Bank of Nova Scotia, Charlottetown Branch to our Agricultural Division. Further, Ms. Anne E. Bonnell was promoted to Senior Loan Officer in the Agricultural Division replacing Mr. Jackson. The position of Chief Loan Officer has been made redundant under the re-organization.

In expanding on my report with respect to loans and credit approved we will do so by Divisions.

AGRICULTURAL DIVISION

As already noted activity in this division is down substantially from the previous fiscal year. However, a total of $6,927,879. was advanced to farmers during the period, which while a respectable amount, was down approximately 45% from the previous year. This decrease was not unexpected and, is attributable to the basic economic realities facing the agricultural industry at this time.

We recorded three (3) farm foreclosures during the fiscal period with residual losses of approximately $235,000. We expect that these figures will be surpassed in the ensuing year.

In my last Annual Report, we outlined the problem of farm financial management, this report drew criticism from some sources, however, we still maintain our position in this regard and quote from a talk given to delegates at the Farm Management Challenge '85 Conference in Halifax by Dr. Tom Frey, a well known professor of Agricultural finance at the University of Illinois, who stated "farmers have gone through revolutions in mechanization and technology and now must face the management revolution. Farmers must increase their financial management skills in order to maximize profits. In many cases, they fail to see the importance of money management. For example, a 10% change in a gross income of $100,000. can have a 100% change in net income."

No one with any knowledge of the agricultural industry expects that the present difficulties being experienced will be overcome in the short term. In fact, long term solutions should be actively explored and applied.

Short term financial solutions for farmers experiencing financial difficulties will however be an active issue until the so called "boom times" return if, and when, that happens. Unfortunately, much of the current debate is based on several defective assumptions. Firstly, it is not possible or realistic, given the basic economic realities to insist of government that all farmers who are in production at the present time must stay in production and, that no further farm bankruptcies will be tolerated.

Any rational approach to the so called farm debt crisis must accept the principal that in tough economic times, not all farmers will be able to survive, just as not all businessmen in other fields will be able to survive. And, it must be acknowledged that there will be periods of good and bad times in a continuous series of natural cycles which are a fact of life and, are beyond the ability of any government to change.

Secondly, the outlook for agriculture in the near term simply is not that good, as a result those farmers who now are experiencing financial difficulty cannot likely be saved by high commodity prices or improved markets in the next year. To survive in the long term a farm unit must have equity and solid management to see it through what is without a doubt the most difficult time in agriculture in many years.

This approach of course, would seem to reinforce the case for special financial assistance which can be derived from only two possible sources; Government lending agencies or the lenders to whom the farmers are now indebted. Unfortunately, it is becoming more and more fashionable to expect that lenders must absorb substantial losses and, allow the operation to continue in production. In fact, lenders are already absorbing heavy losses in that few farm foreclosures, if any, realize enough in the course of a forced disposition to meet all obligations owing. Further, any move to legislate or regulate in this regard would only tend to reduce the ability of lenders to serve the remaining producers, as farm credit could become difficult to obtain and, undoubtedly would be on the basis of substantially increased interest rates and security requirements.

The Lending Authority does not foresee any increase in farm lending during the ensuing year as there is little of any expansion in any commodity with most producers simply maintaining the status quo. As already noted this portfolio has a number of problem loans which will have to be resolved in the coming year, with resultant losses.

FISHERIES DIVISION

Our Fisheries Division was the only division to show an increase in the amount of dollars loaned during the past fiscal year, with loans and credit totalling $2,630,157., an increase from the previous year of approximately $250,000. The loans approved included loans for 45 new inshore fishing vessels. The Lending Authority continues to represent the Government of Canada for the fishing vessel subsidy program. Our fisheries loan portfolio is in excellent standing with no vessels being arrested or losses incurred during the year in review.

TOURISM DIVISION

Loans in this division for the year under review total $3,441,000. this is a reduction of 23% from the previous year. However, in the previous year the Federal Department of Regional and Industrial Expansion had a very successful capital grants program which contributed to a substantial increase in loans extended during the year. One foreclosure was recorded in this division with a minimal loss. The balance of the portfolio is in excellent standing.

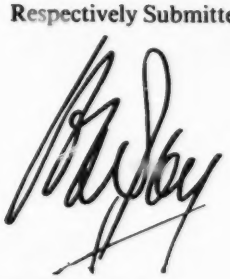
SMALL BUSINESS

In this division, 26 loans for approximately $2,500,000 were extended. This is a reduction of over 50% from the previous year; however, the previous year was the inaugural year for the program and, it will be highly unlikely that, that volume will ever again be attained. While we have several problem loans in this division, nevertheless, there were no foreclosures or losses incurred.

We should note that the Authority was able to maintain its operation within its budget appropriation during the year. Further, it should be noted that loans receivable are now in excess of $40,000,000. making the Lending Authority, if not the largest, one of the largest lenders in the Province. Since its inception loans and credit extended in all divisions total $142,800,000. with a loss ratio of 0.82%.

To conclude my report, I am pleased to advise that management and staff of the Authority enjoy excellent rapport with the Chairman and members of the Board and, with the Minister Responsible, the Hon. G. L. Lank and, also with the various Departments and Agencies both of the Federal and Provincial Governments and, the business community at large with whom it must cooperate.

Respectively Submitted,



William M. Jay
General Manager

STATISTICAL INFORMATION

APRIL 1, 1984 — MARCH 31, 1985

(with comparative figures for fiscal 1983/84)

		1983/84	1984/85
1.	Total number of applications received		
	Agriculture	349	184
	Fisheries	144	113
	Tourism	88	40
	Small Business	71	37
		652	374
2.	Total dollar value of applications received		
	Agriculture	$23,776,908	$15,462,166
	Fisheries	3,954,607	3,787,377
	Tourism	8,840,053	6,029,900
	Small Business	9,979,606	3,663,545
		$46,551,174	$28,942,988

3.	Disposition of Applications				
	Approved:				
	AGRICULTURE				
	Capital	145 for	7,688,410	61 for	2,348,829
	Working Capital	83 for	6,019,900	55 for	4,579,050
	TOTAL LOANS	228	13,708,310	116	6,927,879
	FISHERIES				
	Capital	98 for	1,485,077	78 for	1,735,672
	Working Capital	15 for	897,100	9 for	894,485
	TOTAL LOANS	113	2,382,177	87	2,630,157
	TOURISM				
	Capital	47 for	4,390,855	23 for	3,331,050
	Working Capital	4 for	91,500	3 for	110,000
	TOTAL LOANS	51	4,482,355	26	3,441,050
	SMALL BUSINESS				
	Capital	46 for	5,956,250	26	2,495,845
	Working Capital	2 for	760,000	—	—
	TOTAL LOANS	48	6,716,250	26	2,495,845
	TOTAL APPROVED	440	27,289,092	255	15,494,931
	Applications withdrawn or declined	212 for	19,262,082	119	13,448,057
	TOTAL	652	46,551,174	374	28,942,988

STATEMENT OF INTEREST EARNED — ALL SECTORS

FOR THE PERIOD APRIL 1, 1984 — MARCH 31, 1985

Agricultural Loans	$2,292,175
Fisheries Loans	327,454
Tourist Loans	1,,22,698
Small Business Loans	935,583
Working Capital Credit	527,855
	$5,205,765

STATEMENT OF LOAN PORTFOLIOS ASSUMED

FOR THE PERIOD APRIL 1, 1984 — MARCH 31, 1985

Farm Establishment Board	
Balance March 31, 1984	$ 898,700
Payments Received April 1, 1984 — March 31, 1985	189,310
Balance March 31, 1985	709,390
Tourist Loan Board	
Balance March 31, 1984	17,611
Payments received April 1, 1984 — March 31, 1985	13,559
Balance March 31, 1985	4,052
Industrial Loan Board and PEI Industrial Corporation	
Balance March 31, 1984	59,475
Payments received April 1, 1984 — March 31, 1985	21,842
Balance March 31, 1985	37,633

SCHEDULE OF LOANS APPROVED

APRIL 15/70 — MARCH 31/85

YEAR ENDING	Agriculture Capital	Fisheries Capital	Tourism Capital	Small Business Capital	Working Capital	TOTAL
March 31/71	13	67	31	2	*156	269
	276,539	145,502	374,960	3,379	1,642,800	2,443,180
March 31/72	13	63	24	12	*131	243
	274,700	144,099	220,548	865,500	1,483,228	2,988,075
March 31/73	47	46	35	3	95	226
	669,564	185,239	901,927	51,145	1,272,435	3,080,310
March 31/74	46	94	20	4	87	251
	463,854	465,092	339,560	606,639	1,591,781	3,466,926
March 31/75	107	107	21	12	245	492
	906,246	365,051	529,189	278,950	2,554,176	4,633,612
March 31/76	44	54	14	12	135	259
	510,255	340,481	375,883	226,469	3,053,306	4,506,394
March 31/77	90	75	20	11	127	323
	905,663	295,978	954,247	619,107	3,782,268	6,557,263
March 31/78	107	69	15	10	93	294
	1,571,843	374,230	564,145	679,030	3,046,371	6,235,619
March 31/79	124	84	19	11	141	379
	1,655,196	910,515	1,119,950	830,067	4,875,293	9,391,021
March 31/80	176	103	27	16	104	426
	4,128,794	1,243,816	1,250,735	545,690	4,873,681	12,042,716
March 31/81	170	76	22	15	111	394
	5,215,462	856,635	1,701,220	900,296	6,691,154	15,364,767
March 31/82	133	102	17	11	71	334
	3,831,035	1,489,457	719,872	734,312	4,687,811	11,462,487
March 31/83	142	128	44	5	90	409
	5,812,452	1,834,025	2,366,520	203,375	7,593,698	17,810,070
March 31/84	145	98	47	46	104	440
	7,688,410	1,485,077	4,390,855	5,956,250	7,768,500	27,289,092
March 31/85	61	78	23	26	67	255
	2,348,829	1,735,672	3,331,050	2,495,845	5,583,535	15,494,931
TOTAL	1418	1244	379	196	1757	4994
	36,258,842	11,870,869	19,140,661	14,996,054	60,500,037	142,766,463

*Guarantee Certificates to Approved Lenders' Program discontinued in 1973.

STATEMENT OF LOAN FLOW

FOR THE PERIOD APRIL 1, 1984 — MARCH 31, 1985

AGRICULTURAL CAPITAL LOANS		
Balance March 31, 1984		18,984,421
Payments Received April 1/84 — March 31/85	3,850,383	
Interest and Disbursements	3,477,054	
Balance March 31, 1985		18,611,092
FISHERIES CAPITAL LOANS		
Balance March 31, 1984		2,399,127
Payments Received April 1/84 — March 31/85	901,448	
Interest and Disbursements	1,316,264	
Balance March 31, 1985		2,813,943
TOURIST CAPITAL LOANS		
Balance March 31, 1984		7,715,094
Payments Received April 1/84 — March 31/85	2,024,279	
Interest and Disbursements	3,678,601	
Balance March 31, 1985		9,369,416
SMALL BUSINESS LOANS		
Balance March 31, 1984		5,518,191
Payments Received April 1/84 — March 31/85	1,095,488	
Interest and Disbursements	3,238,283	
Balance March 31, 1985		7,660,986
WORKING CAPITAL CREDIT — ALL SECTORS		
Balance March 31, 1984		3,479,145
Payments Received April 1/84 — March 31/85	7,856,451	
Interest and Disbursements	7,551,095	
Balance March 31, 1985		3,173,789

STATEMENT OF LOANS WRITTEN-OFF AND RECOVERIES

FOR THE PERIOD ENDING MARCH 31, 1985

Loans Written-off	
Leigh Court, Donaldston	$ 63,580
Lyle Farms Ltd., Belmont, Lot 16	87,500
Eric MacFadyen, Oyster Bed Bridge	295
Peter Visser, Kinross	83,218
	$234,593
Recoveries	
Byrne Road Farms, Morell	$ 200
Donald Gillis, Norboro	400
Cecil Hughes, St. Mary's Road	720
John J. B. MacIsaac, Rock Barra	21,088
	$ 22,408

LOANS CLASSIFIED BY SECTOR AND RANGE

YEAR ENDING MARCH 31, 1985

RANGE	AGRICULTURE	FISHERIES	TOURISM	SMALL BUSINESS	TOTAL
0- 9,999	29	35	1	-	65
10,000- 19,999	21	13	3	-	37
20,000- 29,999	14	12	5	3	34
30,000- 39,999	8	9	3	6	26
40,000- 49,999	8	9	4	-	21
50,000- 59,999	3	6	-	3	12
60,000- 69,999	3	1	-	-	4
70,000- 79,999	3	1	1	2	7
80,000- 89,999	4	-	1	1	6
90,000- 99,999	4	-	1	1	6
100,000-199,999	9	-	2	6	17
200,000-299,999	6	-	2	4	12
300,000-399,999	3	-	-	-	3
400,000-499,999	-	-	1	-	1
500,000-599,999	1	1	2	-	4
	116	87	26	26	255

COMPARISON OF LOANS APPROVED TO LOANS WRITTEN-OFF

APRIL 15, 1980 — MARCH 31, 1985

Year Ending	Total Loans	Write-Offs	Percent of Total Loans	Recovery
March 31, 1971	2,443,180	—	—	—
March 31, 1972	2,988,075	172,698	5.78	—
March 31, 1973	3,080,310	150,000	4.87	16,928
March 31, 1974	3,466,926	150,425	4.34	18,477
March 31, 1975	4,633,612	56,719	1.22	23,077
March 31, 1976	4,506,394	61,693	1.36	8,801
March 31, 1977	6,557,263	54,125	0.83	38,167
March 31, 1978	6,235,619	50,000	0.80	18,796
March 31, 1979	9,391,021	22,671	0.24	38,048
March 31, 1980	12,042,716	50,000	0.41	13,198
March 31, 1981	15,364,767	18,667	0.12	37,078
March 31, 1982	11,462,487	—	—	2,692
March 31, 1983	17,810,070	14,871	0.08	15,846
March 31, 1984	27,289,092	134,418	0.49	5,363
March 31, 1985	15,494,931	234,593	1.50	22,408
TOTALS	142,766,463	1,170,880	0.82	258,879

STAFF OF THE PRINCE EDWARD ISLAND LENDING AUTHORITY

AS OF MARCH 31, 1985

ADMINISTRATION

William M. Jay, M.C.I., C.C.C.E.	— General Manager
Eric G. Wood	— Administration Officer

AGRICULTURAL DIVISION

Gerald F. Gahan, M.C.I.	— Manager
Brian J. Gallant, B.B.A., M.C.I.	— Loans Officer II
Anne E. Bonnell, B.B.A., M.C.I.	— Loans Officer II
Michael F. Bradley, Ag. Tech.	— Field Officer/Appraisor
J. Kevin Curley, B. Comm., M.C.I.	— Field Officer/Appraisor
Donald C. Aitken	— Field Officer/Appraisor

FISHERIES DIVISION

D. W. (Dan) Smith, M.C.I.	— Manager
J. Kenneth MacDonald, M.C.I.	— Field Officer/Appraisor and Vessel Inspector

TOURISM AND SMALL BUSINESS DIVISION

Eric R. MacNeill, M.C.I.	— Manager
Gerald B. Soy, C.C.C.E.	— Field Officer/Appraisor

SUPPORT STAFF

Ms. Marlene Peters	— Secretary to the General Manager
Mrs. Eileen Norton	— Accounting Technician I
Mrs. Elizabeth Boswall	— Secretary
Mrs. Eleanor Giraud	— Cashier/Secretary
Mrs. Elva Myers	— Secretary/Receptionist

SUMMERSIDE BRANCH OFFICE

George G. MacCabe, M.C.I.	— Loan Officer II

CONSULTANTS TO MANAGEMENT:

Consulting Engineer	— Mr. Norman F. Stewart P. Eng., Be.(Civil), M.E.I.C.

AUDITORS:

Coopers & Lybrand, Chartered Accountants, Charlottetown, P.E.I.

May 28, 1985

AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have examined the balance sheet of the Prince Edward Island Lending Authority at at March 31, 1985 and the statements of liability — Province of Prince Edward Island, interest income and expenses and operating funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Lending Authority as at March 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

PRINCE EDWARD ISLAND LENDING AUTHORITY

BALANCE SHEET AS AT MARCH 31, 1985

ASSETS

	1985 $	1984 $
CURRENT ASSETS		
Cash	650	128,034
Short-term loans plus interest and miscellaneous items (Schedule A) (note 4)	3,094,444	3,392,176
Recoverable expenditures from Department of Finance	703,639	26,949
Sundry receivables	780	686
Property repossessed	437,547	—
MORTAGE LOANS PLUS INTEREST (Schedule B)	39,618,350	36,003,151
	43,855,410	39,550,996

LIABILITIES

CURRENT LIABILITIES		
Bank advances (note 4)	2,047,631	133,845
Sundry liabilities (note 2)	309,813	35,405
	2,357,444	169,250
LIABILITY TO THE PROVINCE OF PRINCE EDWARD ISLAND (note 3)	41,497,966	39,381,746
	43,855,410	39,550,996

SIGNED ON BEHALF OF THE BOARD

W. B. Hatton
Chairman

Secretary-Treasurer

PRINCE EDWARD ISLAND LENDING AUTHORITY

STATEMENT OF LIABILITY — PROVINCE OF PRINCE EDWARD ISLAND

AS AT MARCH 31, 1985

	1985	1984
	$	$
BALANCE — BEGINNING OF YEAR	39,381,746	26,044,505
Add:		
Advances from Province	8,708,948	19,135,584
Interest on advances	4,884,873	4,264,720
Excess of interest income over interest expense	50,907	—
Debts collected that were written off	22,208	5,363
	53,048,682	49,450,172
Deduct:		
Payments made to Province	11,231,047	9,605,832
Excess of interest expense over interest income	—	63,738
Increase in provision for possible future losses on mortgage loans and receivables	319,669	398,856
	11,550,716	10,068,426
BALANCE — END OF YEAR	41,497,966	39,381,746

PRINCE EDWARD ISLAND LENDING AUTHORITY
STATEMENT OF INTEREST INCOME AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 1985

	1985 $	1984 $
INTEREST INCOME	5,239,416	4,384,030
INTEREST EXPENSE		
Bank	303,636	183,048
Province of P.E.I.	4,884,873	4,264,720
	5,188,509	4,447,768
EXCESS INTEREST INCOME (EXPENSE) FOR THE YEAR	50,907	(63,738)

PRINCE EDWARD ISLAND LENDING AUTHORITY

STATEMENT OF OPERATING FUNDS

FOR THE YEAR ENDED MARCH 31, 1985

	Budget (Note 5) Appropriation 1985 $	Actual 1985 $	Actual 1984 $
OPERATING GRANT — PROVINCE OF PRINCE EDWARD ISLAND	837,300	778,735	805,268
OPERATING EXPENSES			
Salaries and wage levies	621,800	577,370	600,168
Rent — Office and office equipment	97,350	94,651	97,900
— Automobiles	25,900	19,383	17,470
Travel and field call expenses	9,000	12,687	14,030
Telephone	26,800	18,984	20,300
Professional fees	8,500	8,500	8,100
Director fees and expenses	15,500	14,600	14,800
Office supplies	11,000	11,000	10,600
Insurance	—	333	1,700
Legal and collection costs	5,200	3,447	4,900
Repairs and maintenance	1,150	1,150	1,100
Furniture and fixtures	1,000	4,500	900
Postage	6,000	6,000	5,600
Advertising	2,700	1,088	2,600
General expenses	3,400	3,400	3,200
Loan costs	2,000	1,642	1,900
	837,300	778,735	805,268
EXCESS OPERATING GRANT FOR THE YEAR	—	—	—

PRINCE EDWARD ISLAND LENDING AUTHORITY

SCHEDULES OF SHORT-TERM LOANS AND MORTGAGE LOANS PLUS INTEREST

AS AT MARCH 31, 1985

	Agriculture $	Fisheries $	Tourist $	Small Business $	Total 1985 $	Total 1984 $
SCHEDULE A - SHORT-TERM LOANS						
Principal balances					3,173,789	3,479,145
Provisions for possible future losses					79,345	86,969
					3,094,444	3,392,176
SCHEDULE B - MORTGAGE LOANS						
Mortgage loans assumed by Lending Authority —						
Principal and interest balances	709,390	—	4,052	37,633	751,075	975,786
Accrued interest	18,335	—	155	467	18,957	24,242
	727,725	—	4,207	38,100	770,032	1,000,028
Provision for possible future losses	18,193	—	105	953	19,251	25,001
	709,532	—	4,102	37,147	750,781	975,027
Mortgage loans transacted by Lending Authority —						
Principal balances and interest due	18,611,092	2,813,943	9,369,416	7,660,986	38,455,437	34,616,834
Accrued interest	584,885	223,302	544,266	56,283	1,408,736	1,309,447
	19,195,977	3,037,245	9,913,682	7,717,269	39,864,173	35,926,281
Provisions for possible future losses	479,899	75,931	247,842	192,932	996,604	898,157
	18,716,078	2,961,314	9,665,840	7,524,337	38,867,569	35,028,124
	19,425,610	2,961,314	9,669,942	7,561,484	39,618,350	36,003,151

PRINCE EDWARD ISLAND LENDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

1. ACCOUNTING POLICIES

Asset valuation

(i) The corporation has calculated a provision for future losses on loans based on a five year loss experience and local economic conditions. The provision results in a percentage of 2.5% and is applied to the year end balances of the loans.

(ii) Fixed assets are expensed in the accounts of the Authority on the date they are acquired.

2. SUNDRY LIABILITIES

	1985 $	1984 $
These consist of the following:		
Subsidies received direct from the Government of Canada on behalf of inshore fishermen	309,813	21,361
Sundry expense items	—	14,044
	309,813	35,405

3. LIABILITY — PROVINCE OF PRINCE EDWARD ISLAND

The liability to the Province is secured by debentures issued at varying interest rates and redemption periods. The total of these debentures outstanding at March 31, 1985 are noted below. The remaining balance of the liability is secured by a promissory note reissued monthly.

Debenture Amount	%	Term Remaining
10,271,230	11.75	4 years
7,797,977	12.25	5 years
6,101,727	16.75	17 years
5,297,971	13.25	11 years
3,505,576	14.50	3 years
3,218,388	12.75	10 years
854,378	10.38	12 years
803,333	10.25	14 years
648,296	10.25	13 years
640,350	10.50	14 years
476,689	10.00	13 years
315,127	11.00	14 years
281,316	10.00	8 years
146,155	10.25	9 years
143,789	10.25	4 years
132,102	10.38	12 years
102,733	10.50	2 years
101,775	11.00	14 years
90,687	11.00	4 years
85,759	10.25	8 years

74,467	10.50	4 years
69,933	10.00	3 years
47,586	10.25	3 years
37,934	11.00	9 years
33,518	11.00	4 years
4,729	10.50	9 years
$ 41,283,525		

The aggregate principal payment made on the debentures on March 31, 1985 was $1,149,032.

4. BANK ADVANCES

Bank advances are secured by a provincial Government Guarantee to the extent of $2,500,000 plus a debenture to the extent of $5,000,000 on all working capital loans of the corporation.

5. BUDGET APPROPRIATION

The budget amounts were not audited.